

Message Text

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ACTION OPIC-06

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TO SECSTATE WASHDC 7140

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DEPT PASS OPIC

E.O. 11652: N/A

TAGS: EINV, CS

SUBJECT: POLITICAL RISK CONVERTIBILITY INSURANCE (OPIC)

REF: (A) STATE A-1080 (B) 75 SAN JOSE 4151

1. COSTA RICAN REGULATIONS AND POLICIES WITH REGARD TO
CONVERSION OF CURRENCY FOR BUSINESS PURPOSES ARE CURRENTLY
THE SAME AS DESCRIBED IN REF B.

2. LOCAL BANKS AND U.S. BUSINESSMEN INDICATE PROCESSING
TIME FOR NORMAL BUSINESS REMITTANCES (REPATRIATION OF
PROFITS, LOANS AND INTEREST, AND PAYMENTS FOR IMPORTS) IS
NOW TWO TO THREE DAYS IN CASES INVOLVING \$50,000 OR LESS;
TWO TO THREE WEEKS IF THE AMOUNT IS GREATER THAN \$50,000.
THE MORE RAPID PROCESSING TIME FOR FOREIGN EXCHANGE
TRANSACTIONS IS DUE TO SUBSTANTIAL IMPROVEMENT IN COSTA
RICAN BALANCE OF PAYMENTS AND RESERVE POSITIONS VIS-A-VIS
1975.

3. ONE ASPECT OF THE CENTRAL BANK'S APPROACH TO ITS
MANAGEMENT OF FOREIGN EXCHANGE OPERATIONS WHICH
RELATES TO PARA 5 OF REF B AND WHICH SHOULD BE OF
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INTEREST TO OPIC IS THEIR PREFERENCE FOR SPREADING
LARGE (RELATIVE TO COSTA RICA) HARD CURRENCY PAYMENTS
OVER TIME. AN OFFICIAL OF THE CENTRAL BANK EXPLAINED
THAT IF THAT ENTITY WERE FACED WITH A REQUEST TO
CONVERT COLONES INTO DOLLARS IN THE AMOUNT OF ONE MILLION
DOLLARS THAT THEY WOULD BE INCLINED TO AUTHORIZE FOUR
WEEKLY PAYMENTS OF \$250,000 EACH. THIS TENDENCY WAS

CONFIRMED BY THE FINANCIAL OFFICER OF A LOCAL U.S.-OWNED COMPANY WHO INDICATED THAT LAST YEAR THE CENTRAL BANK HAD REQUESTED HIS COMPANY TO ESTIMATE THEIR FOREIGN EXCHANGE REQUIREMENTS FOR THE COMING YEAR. WHEN THE COMPANY REQUESTED THE REPATRIATION OF \$300,000 MORE THAN THE AMOUNT ESTIMATED, THE CENTRAL BANK ASKED THAT THE PAYMENTS BE SPREAD OVER A PERIOD OF SEVERAL WEEKS. OPIC MAY WISH TO TAKE THIS CENTRAL BANK PRACTICE INTO ACCOUNT WHEN REVIEWING THE OPIC STANDARD CONTRACT CLAUSE RELATING TO CURRENCY CONVERSION AS IT PERTAINS TO COSTA RICA.

4. THE ADVERSE EFFECT ON COSTA RICA'S BALANCE OF PAYMENTS OF AN OIL PRICE INCREASE WOULD, AT PRESENT, BE LESSENERED BY INCREASED EXPORT EARNINGS, PRIMARILY FROM COFFEE, BUT ALSO IN PART FROM THE GROWTH IN NON-TRADITIONAL EXPORTS. IN THE CURRENT SITUATION WE WOULD NOT EXPECT AN OIL PRICE INCREASE TO AFFECT COSTA RICA'S POLICY OF UNRESTRICTED REPATRIATION OF EARNINGS ON REGISTERED FOREIGN INVESTMENT.

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